

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Greater Lapeer Transportation	County Lapeer
Fiscal Year End September 30, 2007	Opinion Date January 26, 2008	Date Audit Report Submitted to State March 14, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES
<input type="checkbox"/> | NO
<input type="checkbox"/> | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, PC		Telephone Number (989) 793-9830	
Street Address 3023 Davenport Avenue		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Mari McKenzie	License Number 10725

Greater Lapeer Transportation Authority

Lapeer, Michigan

Annual Financial Statements

and Auditors' Report

September 30, 2007

Greater Lapeer Transportation Authority

Lapeer, Michigan

Annual Financial Statements

and Auditors' Report

September 30, 2007

BOARD OF DIRECTORS

Officers

John Kosiara	Chairperson
Dick Scrimger	Vice Chairperson
Cheryl Rhein-O'Neill	Secretary
Carol Wegher	Treasurer and Executive Director

Trustees

Dale Kerbyson	Faith Walker
Barbara Moran	Dawn Walker
Harry Green	

Other

Beverly Dupuis	Recording Secretary
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Saginaw, MI 48602
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Independent Auditors' Report

Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan 48446

We have audited the statement of net assets of the Greater Lapeer Transportation Authority as of and for the year ended September 30, 2007, and the related statements of revenue, expenses and changes in net assets, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lapeer Transportation Authority as of September 30, 2007 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Mileage Data is unaudited and we express no opinion on it.

The Greater Lapeer Transportation Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.
Saginaw, Michigan
January 26, 2008

Greater Lapeer Transportation Authority
Statement of Net Assets
September 30, 2007

Assets

Current assets

Cash	\$ 531,589
Accounts receivable	32,390
Due from state and federal government	224,404
Prepaid expenses	<u>12,643</u>

Total current assets 801,026

Capital assets

Land	46,805
Buildings	2,015,007
Vehicles	1,636,771
Office equipment	34,772
Maintenance equipment	116,478
Communication equipment	35,307
Accumulated depreciation	<u>(1,468,009)</u>

Net capital assets 2,417,131

Total assets 3,218,157

Liabilities

Current liabilities

Accounts payable	23,108
Due to state	75,166
Accrued payroll	28,659
Accrued payroll liabilities	11,437
Deferred revenue	<u>100</u>

Total current liabilities 138,470

Long-term liabilities

Compensated absences	<u>13,960</u>
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Total liabilities 152,430

Net assets

Investment in capital assets	2,417,131
Unrestricted	<u>648,596</u>

Total net assets \$ 3,065,727

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2007

Operating revenues

Demand response \$ 592,317

Operating expenses

1,767,769

Operating loss (1,175,452)

Nonoperating revenues - local 330,748

Nonoperating revenues - state and federal

Operating grant revenue 782,212

Capital grant revenue 265,342

Total nonoperating revenue - state and federal 1,047,554

Increase in net assets 202,850

Net assets - beginning of year 2,862,877

Net assets - end of year \$ 3,065,727

Greater Lapeer Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2007

Cash flows from operating activities

Operating revenue	\$ 534,002
Payment to suppliers	(564,325)
Payment to employees	<u>(907,114)</u>
Net cash used by operating activities	<u>(937,437)</u>

Cash flows from noncapital financing activities

Local nonoperating revenue	305,468
State nonoperating revenue	528,881
Federal nonoperating revenue	<u>253,331</u>
Net cash flows provided by noncapital financing activities	<u>1,087,680</u>

Cash flows from capital and related financing activities

State and federal government grants	265,342
Acquisition of capital assets	<u>(231,202)</u>
Net cash flows provided by capital and related financing activities	<u>34,140</u>

Cash flows from investing activities

Interest earned	<u>25,280</u>
Net increase in cash	209,663
Cash - beginning of year	<u>321,926</u>
Cash - end of year	<u><u>\$ 531,589</u></u>

Operating loss	\$ (1,175,452)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	309,887
(Gain) loss on disposal of asset	3,513
Decrease (increase) in	
Accounts receivable	56,627
Prepaid expenses	550
Due from state and federal government	(144,781)
Increase (decrease) in	
Accounts payable	(18,434)
Due to state	29,839
Accrued payroll	(59)
Accrued payroll liabilities	(426)
Compensated absences	<u>1,299</u>
Net cash used by operating activities	<u><u>\$ (937,437)</u></u>

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Greater Lapeer Transportation Authority is a public body organized as a legal entity pursuant to Public Act 196 of 1986. The Authority has the capability and the authority to provide public transportation to the general public in the City of Lapeer and surrounding areas. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. By this definition, no component units are included in the Greater Lapeer Transportation Authority's financial report.

Basis of Accounting

The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash

At September 30, 2007 cash consisted of demand deposits and money market savings accounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

Compensated sick leave is granted to each full-time employee at the rate of 3.08 hours per pay period. Unused sick leave may be accumulated not to exceed 240 days. Upon separation of employment, employees shall not be paid for unused sick leave.

Each full-time employee shall accrue one week of vacation after completing one year of employment. After two years of employment, employees accrue two weeks and after 10 years, they shall accrue three weeks. Vacation time must be used within one year after it is earned. Upon separation of employment, employees shall receive payment for all unused vacation leave.

Vacation or sick leave utilized during the current year is recorded as a current fringe benefit expenditure. At year-end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an adjusting entry posted to the liability and expenditures accounts.

Capital Assets

Capital assets are stated at cost. Depreciable capital assets are depreciated over the estimated useful life of the asset using the straight-line method. The useful life of the assets range from 4 - 40 years.

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2007

Governmental Accounting Standards Board Statement 20

In accordance with GASB Statement 20, the Authority has elected not to apply the FASB statements and interpretations issued after November 30, 1989 to its financial statements.

Note 2 - Cash

Credit Risk - Michigan Compiled Laws, Section 129.91, and the Authority's policy authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers acceptance of U.S. Banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Concentration of Credit Risk – The Authority has no policy that would limit the amount that may be invested with any one issuer.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of September 30, 2007, \$429,036 of the Authority's bank balance of \$532,042 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Capital Assets

Major classes of capital assets consist of the following at September 30, 2007:

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2007

	Purchased with Authority Funds	Purchased with Capital Grants	Total
Assets not being depreciated			
Land	\$ 46,805	\$ -	\$ 46,805
Other capital assets			
Buildings	319,363	1,695,644	2,015,007
Vehicles	16,790	1,619,981	1,636,771
Office equipment	2,560	32,212	34,772
Maintenance equipment	4,099	112,379	116,478
Communication equipment	-	35,307	35,307
	<u>389,617</u>	<u>3,495,523</u>	<u>3,885,140</u>
Less: accumulated depreciation	<u>(94,214)</u>	<u>(1,373,795)</u>	<u>(1,468,009)</u>
Net capital assets	<u>\$ 295,403</u>	<u>\$ 2,121,728</u>	<u>\$ 2,417,131</u>

Additions and disposals for the year ended September 30, 2007 are as follows:

	Balance as of September 30, 2006	Additions	Disposals	Balance as of September 30, 2007
Assets not being depreciated				
Land	\$ 46,805	\$ -	\$ -	\$ 46,805
Other capital assets				
Buildings	1,976,457	38,550	-	2,015,007
Vehicles	1,506,734	175,127	(45,090)	1,636,771
Office equipment	68,121	17,525	(50,874)	34,772
Maintenance equipment	116,478	-	-	116,478
Communication equipment	35,307	-	-	35,307
	<u>3,749,902</u>	<u>231,202</u>	<u>(95,964)</u>	<u>3,885,140</u>
Less: accumulated depreciation	<u>(1,250,571)</u>	<u>(309,889)</u>	<u>92,451</u>	<u>(1,468,009)</u>
Net capital assets	<u>\$ 2,499,331</u>	<u>\$ (78,687)</u>	<u>\$ (3,513)</u>	<u>\$ 2,417,131</u>

Depreciation expense for the year ended September 30, 2007 was \$309,887. When assets purchased with capital grant funds are withdrawn from mass transportation service, the grantee must remit to the grantor the grantor's pro-rata share of the fair market value as of the date the asset was withdrawn.

Note 4 – Retirement Plan

On October 1, 1995, the Authority established a defined contribution plan covering all full-time personnel. Any employee who works 25 hours or more per week is eligible. Vesting is 100% after second year of service. Employer contributions are based upon 5% of each employee's

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2007

wages. Employees are required to contribute a minimum of 2% to the plan. The total pension expense for the year ended September 30, 2007 was \$27,958.

Note 5 - Risk Management

Greater Lapeer Transportation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). Greater Lapeer Transportation Authority has purchased commercial insurance for workers' compensation claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Greater Lapeer Transportation Authority participates in the Michigan Municipal League risk pool for claims relating to property, general liability and vehicle coverage. The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 6 - Deferred Compensation

Greater Lapeer Transportation Authority offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Greater Lapeer Transportation Authority for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with accounting principles generally accepted in the United States of America, plan balances and activities are not reflected in Greater Lapeer Transportation Authority's financial statements.

Note 7 – Net Assets Designation

As Greater Lapeer Transportation Authority is seeking to improve services and provide better equipment to its ridership, the Board has determined that a designation of the ending net assets of five percent (5%) be established as of September 30, 2007. As a result, \$32,430 of the unrestricted balance has been designated for future renovations.

Greater Lapeer Transportation Authority
Schedule of Operating Expenses
For the Year Ended September 30, 2007

	<u>Operation</u>	<u>Maintenance</u>	<u>Administration</u>	<u>System</u>
Labor				
Operating salaries and wages	\$ 426,405	\$ 42,703	\$ 1,000	\$ 470,108
Other salaries and wages	88,273	-	86,309	174,582
Fringe benefits	205,966	21,982	35,290	263,238
Other services	4,224	8,654	42,640	55,518
Materials and supplies				
Fuel and lubricants	131,123	-	-	131,123
Tires and tubes	-	14,897	-	14,897
Other materials and supplies	1,037	12,219	1,547	14,803
Utilities	2,670	-	17,188	19,858
Casualty and liability costs				
Premiums for public liability and property damage insurance	26,014	-	-	26,014
Other casualty and liability	-	-	13,137	13,137
Miscellaneous				
Advertising	-	-	2,796	2,796
Travel	1,342	-	3,264	4,606
Dues and publications	-	-	3,021	3,021
Other	375	1,878	6,072	8,325
Purchased transportation	<u>252,343</u>	<u>-</u>	<u>-</u>	<u>252,343</u>
Total	1,139,772	102,333	212,264	1,454,369
Depreciation	291,210	-	18,677	309,887
Loss on disposal of assets	<u>3,513</u>	<u>-</u>	<u>-</u>	<u>3,513</u>
Total operating expenses	<u>\$ 1,434,495</u>	<u>\$ 102,333</u>	<u>\$ 230,941</u>	<u>\$ 1,767,769</u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - Local
For the Year Ended September 30, 2007

Property tax revenue	
City of Lapeer	\$ 63,496
Township of Lapeer	48,091
Township of Elba	52,374
Township of Mayfield	54,477
Township of Oregon	46,416
Township of Deerfield	<u>38,582</u>
	303,436
Interest income	25,280
Other income	<u>2,032</u>
Total nonoperating revenues - local	<u>\$ 330,748</u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - State and Federal
For the Year Ended September 30, 2007

State of Michigan operating grants

Local Bus Operating Assistance (Act 51) 06-07	\$ 567,946
Local Bus Operating Assistance (Act 51) 05-06	(10,966)
Local Bus Operating Assistance (Act 51) 03-04	<u>(28,099)</u>

Total State of Michigan operating grants	<u>528,881</u>
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State of Michigan capital grants

U.S. F.T.A. Capital Assistance - Section 5309	22,901
U.S. F.T.A. Capital Assistance - Section 5311	23,000
U.S. F.T.A. Capital Assistance - Section 5316	<u>5,157</u>

Total State capital grants	<u>51,058</u>
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Federal operating grants

Rural Transit Assistance Program	2,356
U.S. F.T.A. Operating Grant - Section 5311 05-06	978
U.S. F.T.A. Operating Grant - Section 5311 06-07	<u>249,997</u>

Total Federal operating grants	<u>253,331</u>
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Federal capital grants

U.S. F.T.A. Capital Assistance - Section 5309	209,127
U.S. F.T.A. Capital Assistance - Section 5316	<u>5,157</u>

Total Federal capital grants	<u>214,284</u>
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Total nonoperating revenues - state and federal	<u>\$ 1,047,554</u>
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Greater Lapeer Transportation Authority
Net Eligible Costs Computation of
General Operations
For the Year Ended September 30, 2007

	<u>Federal</u> <u>Section 5311</u>	<u>State</u> <u>Operating Assistance</u>
Expenses		
Labor	\$ 644,690	\$ 644,690
Fringe benefits	263,238	263,238
Other services	55,518	55,518
Materials and supplies	160,823	160,823
Utilities	19,858	19,858
Casualty and liability costs	39,151	39,151
Purchased transportation	252,343	252,343
Depreciation	309,887	309,887
Advertising	2,796	2,796
Loss on disposal of assets	3,513	3,513
Miscellaneous	<u>15,952</u>	<u>15,952</u>
Total expenses	<u>1,767,769</u>	<u>1,767,769</u>
Less ineligible expenses		
Depreciation	291,210	291,210
MPTA dues (6.8%)	121	121
Expenses reimbursed by RTAP	2,356	2,356
Loss on disposal of assets	<u>3,513</u>	<u>3,513</u>
	<u>297,200</u>	<u>297,200</u>
Net eligible expenses - federal and state	<u>\$ 1,470,569</u>	<u>\$ 1,470,569</u>
Federal revenue calculation		
Reimbursable percentage	<u>17.00%</u>	
Statutory cap	<u>\$ 249,997</u>	
Federal operating assistance revenue received	<u>\$ 174,700</u>	
State revenue calculation		
Reimbursable percentage		60%
Statutory cap		<u>\$ 882,341</u>
Formula reimbursement percentage		38.62%
Formula reimbursement		<u>\$ 567,946</u>
State operating assistance revenue received		<u>\$ 633,592</u>
Due from (to) state and federal government	<u>\$ 75,297</u>	<u>\$ (65,646)</u>

Greater Lapeer Transportation Authority
Schedule of Ineligible Costs
For the Year Ended September 30, 2007

Program	Finding/Noncompliance	Federal § 5311	State Operating Assistance
02-0041			
	1. Depreciation: Depreciation accrued on contributed capital or reimbursed capital expenditures must be deducted as ineligible expense.	\$ 291,210	\$ 291,210
	2. MPTA dues (6.8% of \$ 1,873 - ineligible costs)	121	121
	3. Expenses reimbursed by RTAP	2,356	2,356
	4. Loss on disposal of assets	<u>3,513</u>	<u>3,513</u>
		<u>\$ 297,200</u>	<u>\$ 297,200</u>

Greater Lapeer Transportation Authority
Mileage Data (Unaudited)
For the Year Ended September 30, 2007

Public
Transportation
Mileage

DEMAND RESPONSE

First quarter	141,025
Second quarter	150,833
Third quarter	148,256
Fourth quarter	<u>132,068</u>
	<u><u>572,182</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

January 26, 2008

To the Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

In planning and performing our audit of the financial statements of Greater Lapeer Transportation Authority for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

QUICKBOOKS ACCOUNTING SOFTWARE

We noted that the Authority uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for an Authority's accounting software and there are very good business reasons to use QuickBooks. It is however important that management and those charged with governance to understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it in effect deleting the check as of the date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

There are broad categories of permissions which should be reviewed and set for each particular user, based on their needs. One of these categories is the ability to change or delete transactions and the ability to change or delete transactions before the closing date. Remember that the Admin user automatically has rights to all broad categories, and therefore may not be the correct user set-up for some users. These categories however are very broad. Anyone given access to input accounts receivable invoices has access to record the receipt of accounts receivable monies and create write-offs of accounts receivables. Therefore, QuickBooks cannot be relied upon to enforce segregation of duties.

We recommend that you seriously consider the costs and benefits of QuickBooks software as compared to the Authority's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. The accounting software which is appropriate for a start-up entity may not continue to be appropriate for that same entity as it grows. We are neither recommending for nor against continuing to use QuickBooks as the Authority's accounting software, we are simply recommending that the decision made by management and those charged with governance be a fully informed decision.

In addition we noted an area we feel could improve your internal controls or operating efficiencies. This item is not considered a significant deficiency or material weaknesses but is presented for your consideration.

WRITTEN POLICIES AND PROCEDURES

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Organization. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Organization completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

This letter is intended solely for the use of the Board of Directors and the administration of the Authority and should not be used for any other purpose.

We appreciate the opportunity to serve Greater Lapeer Transportation Authority. Should you have any questions, please contact our office.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants



Mari McKenzie, CPA